RANGELAND RESOURCES LTD.

1996 ANNUAL REPORT

COMPANY PROFILE

RANGELAND RESOURCES LTD. *is a junior Canadian resource company listed on the Alberta Stock Exchange under the trading symbol "RLD".*

The Company specializes in the development of new concepts for exploration drilling and forms joint ventures with industry partners to explore for new resources of oil and gas on these exploration prospects.

The Company is dedicated to increasing the asset value of the Company shares through environmentally responsible exploration for oil and gas reserves utilizing the experience and technical expertise of our employees, partners and consultants.

Management and directors hold a majority interest in the outstanding shares of the Company, and are committed to increasing the asset value per share.

ANNUAL MEETING

The Annual Meeting of the Shareholders of Rangeland Resources Ltd. will be held in the "Black Gold B Room", Sandman Hotel, 888 - 7th Avenue S.W., Calgary, Alberta, on December 12, 1996 at 2:00 p.m.

HIGHLIGHTS

	1996	1995
Net Revenue	**$ 2,602,098**	$ 2,509,016
Cash Flow From Operations	**1,526,310**	1,644,134
Cash Flow Per Share	**0.253**	0.276
Net Income	**662,795**	793,489
Net Income Per Share	**$ 0.110**	$ 0.133
Number of Issued Shares	**6,022,873**	5,963,673

REPORT TO THE SHAREHOLDERS

The fiscal year ended August 31, 1996 was a year of consolidation in which the year over year gains were lower than our five year average. Two main factors contributed to the reduced growth rate. On the production side, lengthy delays in obtaining regulatory approval to remove restrictions which limited production from existing wells and caused two significant wells to remain shut in for most of the year severely restricted the revenue growth. On the acquisition and exploration front, the considerable effort which was expended in attempting to acquire additional production to complement our Haynes area wells was not successful in expanding our production base in the area, and the exploratory drilling on our new prospects failed to add the potentially large reserves that could be anticipated from the geological and geophysical mapping.

Drilling during the year was limited to participation in 7 wells resulting in 2 oil wells, 1 suspended oil well and 4 dry holes. The two oil completions fortunately proved up sufficient reserves to more than offset the annual Company production.

The exploratory drilling for the year was not successful in discovering the expected major additions to the Company production, as wells in the Kaybob and Spotted Lake areas of Alberta were abandoned after failing to find the postulated oil reservoirs, and a Saskatchewan well was structurally favorable but the reservoir was plugged with anhydrite.

In addition, an attempt to extend the production southward from the 1994 oil discovery at Antler in southeast Saskatchewan resulted in an oil well with a high water cut, which was suspended as uneconomic at the prices which prevailed at the time it was drilled.

Detailed evaluations of producing properties in the vicinity of Company operations resulted in substantial offers being made for these properties, but in the current overpriced market for reserves, none of these offers were accepted.

The prevailing high levels of investment in oil and gas ventures has created an extremely competitive environment for development of prospects with potentially large reserves with the results that the Company is shifting exploration to areas of lesser activity in order to locate projects with an acceptable return on investment.

As the Company expends most of its efforts towards exploratory drilling for new reserves of oil and gas on prospects with considerable potential, a high level of drilling activity is unlikely to occur. Developing new exploratory prospects requires considerable geological and geophysical research in addition to the time consuming efforts applied to the acquisition of sufficient lease acreage to cover the prospect area.

The risks associated with exploratory drilling preclude a high success ratio, but adequate preparation will result in significant additions to Company reserves with any exploration success.

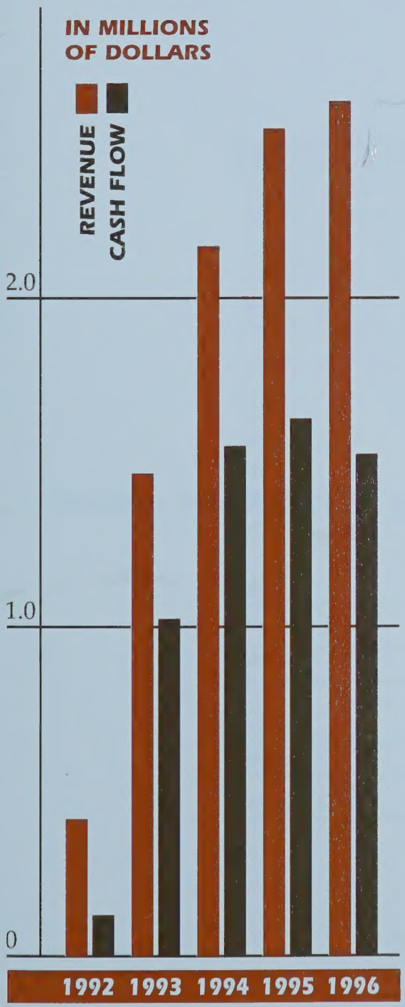
FINANCIAL

Results for the year reflect the lack of positive results from much of the activities undertaken during the past fiscal year.

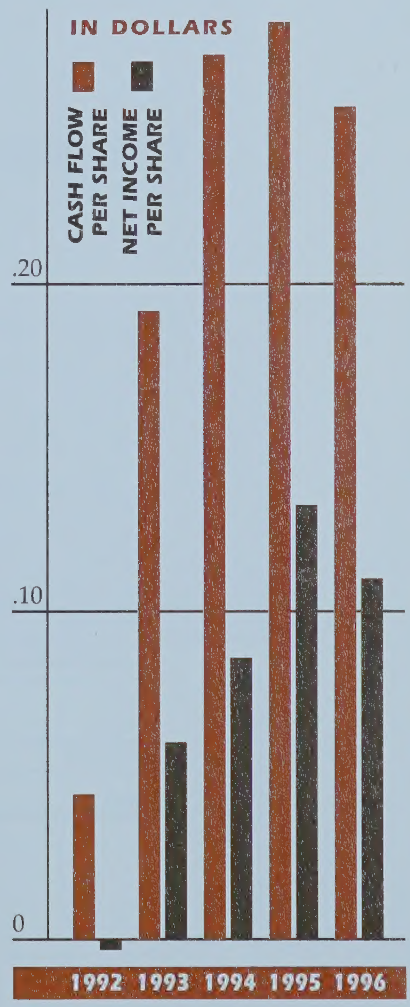
Revenues of $2,602,098 were slightly ahead of the $2,509,016 of the prior year, while cash flow of $1,526,310 was somewhat lower than the previous $1,644,134 due to higher operating costs in the Haynes area.

Net income of $662,795 or $0.11 per share compared to the $793,489 or 0.13 per share is a result of both the higher operating costs and increased depreciation and depletion charges.

Reduced income taxes due to those higher charges contribute to the record cash reserves available for new projects.



Revenue growth of 30% is expected from the increase in production allowed from existing wells, with the result that any new discoveries should contribute to a return to substantial annual rates of growth.

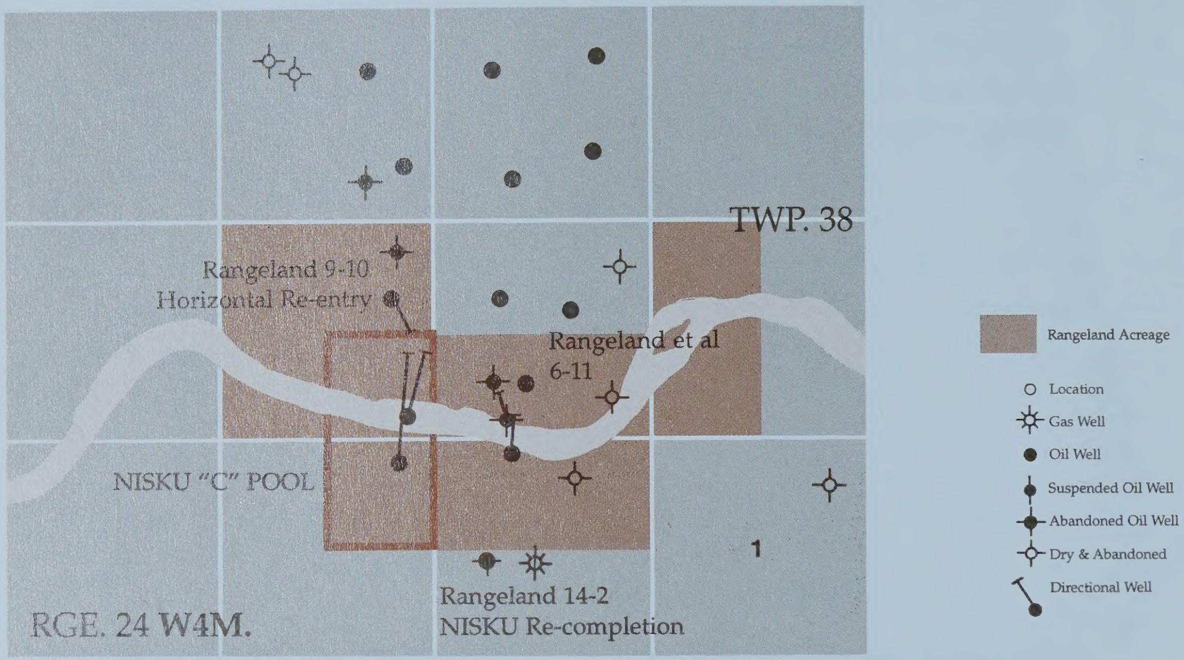


RANGELAND has continued to focus their exploration efforts toward locating new oil pools as the market access and pricing provide a more rapid return on investment than for natural gas. The current reserves ratio of 80% oil and 20% natural gas reflects this approach, but with a declining gas reserves life in North America and increased export capacity by 1998, the Company will concentrate future activity toward increasing the proportion of gas reserves.

The reserves reports by Outtrim Szabo Associates Ltd. and RTM Petroleum Consultants Inc. have been combined to provide the reserve values and present worth indicated for both proved and proved plus probable evaluations.

	REMAINING PROVED RESERVES				REMAINING PROVED & PROBABLE RESERVES			
Property	Oil MBBLS	Gas MMCF	NGL MBBLS	Present Worth Disc. @ 15% $000	Oil MBBLS	Gas MMCF	NGL MBBLS	Present Worth Disc. @ 15% $000
Alberta								
Alderon	-	6	-	1	-	11	-	3
Barrhead	-	295	-	249	-	348	-	290
Carstairs	0.1	248	20	395	0.1	516	39	659
Giroux	-	681	-	267	-	681	-	267
Haynes	445	410	31	4705	660	505	37	6605
McLeod	-	167	6	76	-	167	6	76
Mikwan	-	11	0.3	9	-	11	0.3	9
Wood River	39	470	1	688	46	472	2	760
Total Alta.	484.1	2288	58.3	6390	706.1	2711	84.3	8669
Saskatchewan								
Antler	2	-	-	13	2	-	-	13
Willmar	10	-	-	126	24	-	-	256
Total Sask.	12	-	-	139	26	-	-	269
Total	**496.1**	**2288**		**58.3** **6529**	**732.1**	**2711**		**84.3** **8938**

MAJOR PROPERTIES



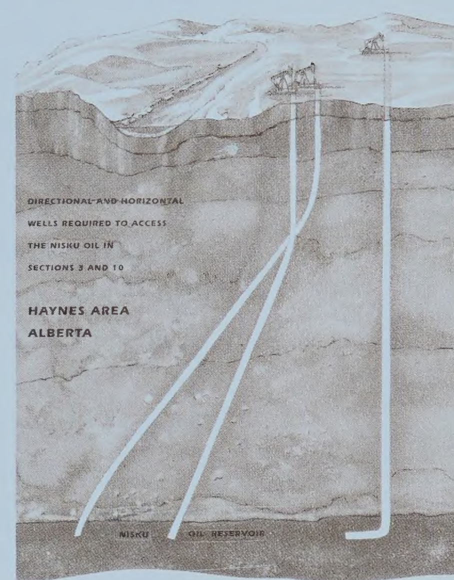
HAYNES AREA A farmout well drilled in 6-11-38-24 W4M was the only drilling activity in this area during the year, but was successful in adding sufficient reserves to offset a year of Company production.

During the year considerable effort was applied to evaluating and attempting to purchase adjacent properties in the area, but to date no acquisitions have been made.

The lengthy procedure of compiling sufficient data to convince the EUB and other producers of the necessity of approving our applications for Good Production Practice and Concurrent Production of gas and oil to recover the optimum oil reserves from this pool finally was successful at year end, with the result that the shut in production at the 14-2 and 6-11 wells will come on stream during the next quarter, adding significantly to our production from this area.

A substantial portion of the capital required for adequate production facilities for these increased volumes was invested during the year, and the remaining installations should be completed during the next quarter.

The topography associated with the Red Deer River was overcome by using current deviated and horizontal drilling technology. As the diagram indicates, the 1-10 and 16-3 wells had to be drilled under the river valley to reach their targets, and the depleted 9-10 well had to be re-entered and drilled horizontally to access reserves that could not be produced from the existing well. Of the five wells which will be producing from this property, only one will be a conventional vertical wellbore.



Giroux/Kaybob The primary prospect in this area remains untested as our majority interest partner has not decided on participation. A well was drilled to evaluate possible sand trend on pooled lease acreage, but the oil sand was not present and the well was abandoned.

Company exploration efforts will be continued in this area as the potential for substantial reserves exists if the target reservoir can be located.

Carstairs Changes in ownership of both of the major interest partners has contributed to further delays in a planned horizontal well to access considerable reserves which will not be produced from the existing wells on these leases. It is expected that an increase in gas prices will focus efforts to drill this low risk development well.

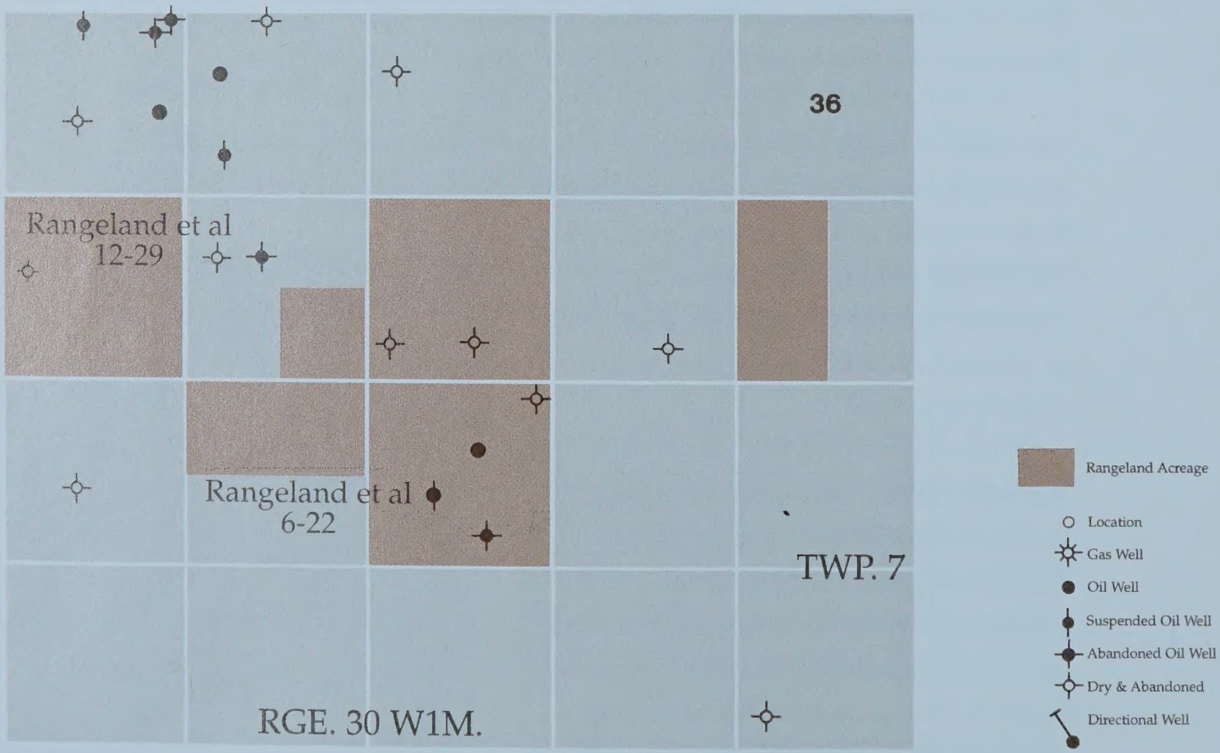
Spotted Lake Two Leduc tests were drilled on this prospect during the year to evaluate the Nisku and Leduc for potentially large oil reserves. Both of these wells were abandoned when the first well had no Leduc porosity to the base of the oil zone, and the second well did not encounter the Nisku porosity that had been inferred from seismic and well data.

OTHER PROPERTIES

Antler A structural feature was drilled updip from oil production, but the reservoir was plugged with anhydrite and was abandoned. A southwest offset to the January 1994 oil discovery has been suspended after testing oil with a high water cut. As this property no longer appears to have the potential indicated by the initial production, a proposal is being made to our partners to sell these wells.

Queensdale/Willmar The Company participated for a 35% interest in a farmout well which was completed for Frobisher oil. After six months of production, the well appears to have leveled off at about 50 barrels per day.

Manitoba As part of a move to areas of reduced activity, the Company has been acquiring leases on potential Mississippian oil trends in southwest Manitoba, and plans to drill a test of one of these trends in the first quarter.



AUDITOR'S REPORT

To the Shareholders of
Rangeland Resources Ltd.

We have audited the balance sheets of Rangeland Resources Ltd. as at August 31, 1996 and 1995 and the statements of income and retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 1996 and 1995 and the results of its operations and the changes in its cash flow for the years then ended in accordance with generally accepted accounting principles.

Ramsay, Dalton & Co
Chartered Accountants

Calgary, Alberta
October 28, 1996

BALANCE SHEETS

	August 31, 1996	August 31, 1995
ASSETS - Note 4		
CURRENT ASSETS		
Cash and term deposits	**$1,268,617**	$ 468,225
Accounts receivable	**1,001,901**	2,144,119
Prepaid expenses	**17,943**	16,622
	2,288,461	2,628,966
PROPERTY AND EQUIPMENT - Notes 3 and 7	**3,397,916**	2,923,168
	$5,686,377	$5,552,134
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - Note 7	**$1,182,837**	$1,800,490
Income taxes payable	**32,099**	39,699
	1,214,936	1,840,189
SITE RESTORATION AND ABANDONMENT	**128,775**	116,275
DEFERRED INCOME TAXES	**760,763**	622,763
	2,104,474	2,579,227
SHAREHOLDERS' EQUITY		
Share capital - Note 5	**947,207**	921,893
Contributed surplus - Note 5	**-**	24,221
Retained earnings	**2,634,696**	2,026,793
	3,581,903	2,972,907
	$5,686,377	$5,552,134

APPROVED BY THE BOARD

Director

Director

See accompanying notes

STATEMENTS OF INCOME AND RETAINED EARNINGS

	Year ended August 31, 1996	Year ended August 31, 1995
REVENUE		
Oil and gas sales, net of royalties	**$2,348,310**	$2,284,756
Alberta royalty tax credit	**215,066**	180,319
Interest	**38,722**	43,941
	2,602,098	2,509,016
EXPENSES		
Depreciation and depletion	**713,015**	584,645
Production	**608,670**	466,463
General and administrative, net of recoveries	**351,118**	335,419
Site restoration and abandonment	**12,500**	10,000
	1,685,303	1,396,527
Income before income taxes	**916,795**	1,112,489
INCOME TAXES - Note 6		
Current	**116,000**	63,000
Deferred	**138,000**	256,000
	254,000	319,000
Net income	**662,795**	793,489
RETAINED EARNINGS, beginning of year	**2,026,793**	1,233,304
Cost of shares repurchased greater than average issue price - Note 5	**(54,892)**	-
RETAINED EARNINGS, end of year	**$2,634,696**	$2,026,793
NET INCOME PER SHARE	**$ .11**	$ .14
NET INCOME PER SHARE, fully diluted	**$ .11**	$ .13

See accompanying notes

STATEMENTS OF CASH FLOW

	Year ended August 31, 1996	Year ended August 31, 1995
OPERATIONS		
Net income	**$ 662,795**	$ 793,489
Add items not involving cash:		
Depreciation and depletion	**713,015**	584,645
Site restoration and abandonment	**12,500**	10,000
Deferred income taxes	**138,000**	256,000
Cash flow from operations	**1,526,310**	1,644,134
Change in non-cash working capital	**515,644**	34,963
	2,041,954	1,679,097
FINANCING ACTIVITIES		
Bank indebtedness	-	(481,392)
Repurchase of shares (in excess of) less than issue price	**(53,799)**	13,937
	(53,799)	(467,455)
INVESTING ACTIVITIES		
Additions to property and equipment	**(1,187,763)**	(1,753,605)
Proceeds on sale of oil and gas property and equipment	-	1,010,000
	(1,187,763)	(743,605)
Increase in cash	**800,392**	468,037
CASH, beginning of year	**468,225**	188
CASH, end of year	**$1,268,617**	$ 468,225
CASH IS COMPRISED OF:		
Cash	**$ 650,245**	$ 136,212
Term deposits	**618,372**	332,013
	$1,268,617	$ 468,225

See accompanying notes

August 31, 1996 and 1995

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Rangeland Resources Ltd. (Rangeland) is incorporated in Alberta and is engaged in oil and gas exploration and production.

NOTE 2 - ACCOUNTING POLICIES

Significant accounting policies are summarized as follows:

(a) Oil and Gas Properties

Rangeland follows the full cost method of accounting whereby all costs of exploring for and development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead expenses related to exploration activities. A ceiling test is performed which compares the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs, less estimated future general and administrative expenses, financing costs, site restoration and abandonment costs and income taxes to the net book value of oil and gas properties less deferred income taxes.

Proceeds from the disposition of oil and gas properties and equipment are accounted for as a reduction in capitalized costs with no gain or loss recognized unless such disposition would alter the depreciation and depletion rate greater than 20%.

The capitalized costs are depleted using the unit of production method based upon estimated proven developed reserves derived from reports prepared by independent consultants and by management.

A provision for future site restoration and abandonment costs is accrued by a charge against income using the unit of production method.

(b) Joint Ventures

Substantially all the exploration and development activities related to oil and gas are conducted jointly with others. These financial statements reflect only Rangeland's proportionate interest in such activities.

(c) Depreciation

Equipment and furniture are recorded at cost and depreciation is provided using the declining balance method at the rates shown in Note 3.

(d) Net income per share

Net income per share has been calculated using the weighted average number of shares outstanding. Fully diluted net income per share is calculated as if all stock options and warrants were exercised at the beginning of the year.

NOTE 2 - ACCOUNTING POLICIES

(e) Comparative Figures

Certain prior year comparative figures have been reclassified to conform with the current year's presentation.

NOTE 3 - PROPERTY AND EQUIPMENT

			August 31, 1996	
	Rate	Cost	Accumulated Depreciation & Depletion	Net Book Value
Oil and gas properties		**$5,100,395**	**$2,286,208**	**$2,814,187**
Well equipment	**30%**	**1,541,924**	**981,459**	**560,465**
Furniture and office equipment	**20%**	**45,693**	**22,429**	**23,264**
		$6,688,012	**$3,290,096**	**$3,397,916**

			August 31, 1995	
	Rate	Cost	Accumulated Depreciation & Depletion	Net Book Value
Oil and gas properties		$4,177,155	$1,819,208	$2,357,947
Well equipment	30%	1,298,096	741,260	556,836
Furniture and office equipment	20%	24,998	16,613	8,385
		$5,500,249	$2,577,081	$2,923,168

NOTE 4 - BANK INDEBTEDNESS

Rangeland has an overdraft lending agreement with a maximum amount of $1,250,000. Amounts drawn pursuant to this agreement are repayable on demand, bear interest at the bank's prime interest rate for Canadian dollar commercial loans plus 1% and are secured by a general security agreement and a $1,000,000 debenture which provides a first fixed charge over Rangeland's Wood River property and a first floating charge over the remainder of Rangeland's assets.

NOTE 5 - SHARE CAPITAL

Authorized:
Unlimited number of Common voting shares with no par value.

Issued:	Number of Shares	Amount
Balance, August 31, 1994	5,779,373	$874,793
Issued through conversion of stock options	220,000	52,500
Shares repurchased	(35,700)	(5,400)
Balance, August 31, 1995	5,963,673	921,893
Issued through conversion of stock options	140,000	38,000
Shares repurchased	(80,800)	(12,686)
Balance, August 31, 1996	6,022,873	$947,207

The Board of Directors may issue directors, consultants and employees stock options of up to 10% of the issued and outstanding shares on such terms and conditions as they deem appropriate, pursuant to the terms of the Company's share option plans and subject to compliance with the rules of the Alberta Stock Exchange.

The following stock options have been issued and remain outstanding at August 31, 1996:

a) To an employee, an option to purchase 20,000 common shares pursuant to a share option plan at $.70 per share until 1997.

b) To a consultant, an option to purchase 55,000 shares pursuant to a share option plan at $1.25 until 1998.

During 1996 options to purchase 100,000 common shares at $0.30 per share and options to purchase 40,000 common shares at $.20 were exercised (1995 - 170,000 at $0.30 and 50,000 at $0.20)

Pursuant to regulatory approval, Rangeland repurchased 80,800 (1995 - 35,700) of its common shares on the open market during the year. The excess of the repurchase price over the average issuance price has been charged first to contributed surplus and then to retained earnings.

NOTE 6 - INCOME TAXES

The provision for income taxes differs from the amount that would have resulted had the combined federal and provincial rate of 44.6% (1995 - 44.3%) been applied to net income:

	August 31, 1996		August 31, 1995	
	Amount	**%**	Amount	%
Expected income tax expense	**$ 409,000**	**44.6**	$ 489,000	44.3
Resource allowance	**(212,000)**	**(23.1)**	(205,000)	(18.5)
Alberta royalty tax credit	**(96,000)**	**(10.4)**	(80,000)	(7.2)
Non-deductible site restoration and abandonment	**6,000**	**0.2**	4,000	0.1
Non-deductible crown royalties	**146,000**	**16.0**	111,000	10.1
Other	**1,000**	**0.1**	-	-
	$ 254,000	**27.4**	$ 319,000	28.8
Current	**$ 116,000**		$ 63,000	
Deferred	**138,000**		256,000	
	$ 254,000		$ 319,000	

Balance in resource tax pools at August 31, 1996:

Canadian Oil and Gas Property Expense	**$ 7,000**
Cumulative Canadian Development Expense	**$ 558,000**
Undepreciated Capital Costs	**$ 861,000**

NOTE 7 - RELATED PARTY TRANSACTIONS

At August 31, 1995 included in accounts payable was $300,000 due to a director who sold his working interest in certain oil and gas properties to Rangeland at fair market value as established by an independent oil and gas consulting firm.

CORPORATE INFORMATION

HEAD OFFICE

#1840, 840 - 7th Avenue S.W.
Calgary, Alberta
T2P 3G2
Telephone: (403) 269-3000
Fax: (403) 263-0303

DIRECTORS

*E.A. (Ted) Horne
Calgary, Alberta

R.C. Bennett
Calgary, Alberta

*Warren D. Steckley
Calgary, Alberta

*Robert N. Depoe
Calgary, Alberta

OFFICERS

President
E.A. (Ted) Horne

VP Exploration
R.C. Bennett

Secretary
Gregory R. Harris

* Audit Committee

SOLICITOR

Gregory R. Harris
Barrister & Solicitor
Calgary, Alberta

AUDITORS

Ramsay, Dalton & Co.
Chartered Accountants
Calgary, Alberta

BANK

Canadian Imperial Bank of Commerce
Calgary, Alberta

EXCHANGE LISTING

Alberta Stock Exchange
Symbol -"RLD"

Designed by:
McKenna / Deinum
Design Group

RANGELAND
RESOURCES LTD.

1996
ANNUAL
REPORT

Printed in Cana